

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
NOVEMBER 28, 2018**

ITEM 4

SUBJECT

CONSIDERATION OF A RESOLUTION TO AMEND THE POLICY FOR IMPLEMENTING THE CLEAN WATER STATE REVOLVING FUND (CWSRF)

DISCUSSION

The *Policy for Implementing the Clean Water State Revolving Fund (CWSRF Policy)* was written to implement the federal Clean Water Act's (CWA) CWSRF Program in California. The CWSRF Policy sets forth the requirements to obtain CWSRF and complementary financing.

The State Water Resources Control Board (State Water Board) originally adopted the CWSRF Policy on August 18, 1988 and has amended it periodically. The CWSRF Policy was last amended on February 17, 2015. Since then, demand on the CWSRF Program has greatly increased, and additional changes are proposed by the Division of Financial Assistance (Division) to better manage the Program.

The major changes to the CWSRF Policy include (1) replacing the Project List with the Fundable List, (2) replacing the Priority Classes and Sustainability points language with a new Priority Scoring System, and (3) upgrading the Credit Review Process. Other changes include clarifying edits and revised definitions and terms to ensure the Policy is up to date with current laws, regulations, policies, and procedures.

The primary purpose of the Fundable List is to identify potentially eligible projects the State Water Board intends to finance during a particular state fiscal year. Only the projects listed on the Fundable List will be eligible to receive financing. The proposed Priority Scoring System will be the basis of developing the Fundable List and will assist the Division in prioritizing its review of project applications. The credit review modifications are intended to improve the clarity and transparency of the financial review process.

The Division provided stakeholders and interested parties an opportunity to comment on the draft CWSRF Policy Amendment; comments were accepted from September 14, 2018 to noon, October 19, 2018. In addition, staff conducted three informational workshops to discuss the proposed changes to the CWSRF Policy. These workshops were held in Sacramento on September 18, 2018, Oakland on September 21, 2018, and Irvine on September 25, 2018. The Sacramento workshop was also webcast to allow stakeholders to participate remotely. Eighteen comment letters were submitted by the deadline. Division staff have reviewed the comment letters and made changes to the proposed Policy Amendment where appropriate.

Three exhibits have been prepared by the Division to explain the proposed CWSRF Policy Amendment: [Exhibit A](#), [Exhibit B](#), and [Exhibit C](#).

Exhibit A is a strikeout/underline version showing the proposed changes to the CWSRF Policy relative to the existing Policy. It uses the following color-coding system (Microsoft Word's Track Changes tool) to indicate original text, deletions, and new text to the existing Policy:

Original Text (no change): Black;
Deleted Text: Red with strike-through text; and
New Text: Red and underlined

Exhibit B is a clean version of the proposed amended Policy showing how the Policy would read if all of the Division's proposed changes were approved by the State Water Board.

Exhibit C is a listing of the significant proposed changes to the Policy, and is provided as an index for the proposed changes shown in Exhibit A.

POLICY ISSUE

Should the State Water Board adopt the proposed CWSRF Policy Amendment to guide implementation of the CWSRF Program?

FISCAL IMPACT

The changes to the CWSRF Policy will assist the Division in maintaining sustainable finances in the CWSRF Program. There will be minor fiscal impacts associated with the implementation of the proposed amendment, which will be absorbed in the administrative cost of the program. Applicants may see a decrease in the cost of applying for CWSRF financing since the proposed scoring system will allow applicants to self-score their applications and submit those that have the best chance of receiving funding.

REGIONAL BOARD IMPACT

The Policy amendment will continue to support implementation of Regional Water Board basin plans and enforcement efforts.

STAFF RECOMMENDATION

The State Water Board should adopt the proposed CWSRF Policy Amendment to guide implementation of the CWSRF Program.

State Water Board action on this item will assist the State Water Board in achieving the policy set forth in section 106.3 of the Water Code. Specifically, subdivision (a) of that section declares it is the established policy of the State that "every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes."

State Water Board action on this item will assist the Water Boards in reaching Goal 4, 5 and 6 of the Strategic Plan Update: 2008-2012 to (4) Comprehensively address water quality protection and restoration, and the relationship between water supply and water quality, and describe the connections between water quality, water quantity, and climate change throughout California's water planning process; (5) Improve transparency and accountability by ensuring that Water Board goals and actions are clear and accessible, by demonstrating and explaining results achieved with respect to the goals and resources available, by enhancing and improving accessibility of data and information, and by encouraging the creation of organizations or cooperative agreements that advance this goal, such as establishment of a statewide water data institute; and (6) Enhance consistency across the Water Boards, on an ongoing basis, to ensure our processes are effective, efficient, and predictable, and to promote fair and equitable application of laws, regulations, policies, and procedures.